



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 29, 2009

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **COMMUNITY AND SENIOR SERVICES - FISCAL MONITORING OF
DOMESTIC VIOLENCE PROGRAM SERVICE PROVIDERS FOR
FISCAL YEAR 2007-08**

Community and Senior Services (CSS) contracts with community-based, non-profit organizations (service providers) to provide Domestic Violence (DV) program services. DV program services include case management, counseling, shelter and legal advice to victims of domestic violence.

CSS' DV contracts are fee-for-service agreements, under which providers are paid a set fee for each unit of service they provide. The DV contracts also require that, if a provider's actual costs are less than the total amount paid to the provider, the provider must get approval from CSS to use the excess earnings to provide DV services or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accountant firm, Simpson & Simpson, to conduct fiscal monitoring of the 40 DV service providers that had contracts with CSS during Fiscal Year (FY) 2007-08. These service providers were located in all five supervisorial districts. CSS paid approximately \$11.6 million to the DV service providers during the year.

The fiscal monitoring was done in two phases. During Phase I, Simpson & Simpson made on-site visits to the providers. The monitoring covered the contract period from August 1, 2007 through November 30, 2007. During Phase II, Simpson & Simpson followed up on the findings and recommendations from the Phase I reports.

Review Summary

Attachment 1 summarizes the findings for each service provider. Simpson & Simpson identified \$270,692 in findings, primarily related to improperly allocated costs, unsupported expenditures, improperly recorded revenues and expenditures, and excess earnings. If these findings are not resolved, the service providers may need to adjust their revenues and/or expenditures, which could result in excess earnings. As noted earlier, if providers have excess earnings, the funds must either be used to provide DV services or be returned to CSS. During the fiscal monitoring for FY 2008-09, the monitor will determine if any of the providers had excess earnings for FY 2007-08.

Simpson & Simpson prepared a management letter (Attachment 2) for the monitoring they completed. It recommends that CSS provide technical assistance to the service providers to ensure the service providers: (1) have an adequate understanding of cost principles established by the federal Office of Management and Budget (OMB); and (2) are applying the cost principles established by the OMB in their accounting of grant expenditures.

Review of Report

Simpson & Simpson discussed each report with CSS and the appropriate service provider. CSS indicated that they have resolved all of Simpson & Simpson's findings, with the exception of the findings related to San Pedro Community Legal Services, which had \$6,597 in findings and closed its business on June 30, 2008. In addition, CSS indicated they conducted cost allocation training for all service providers in May 2008. Attachment 3 is CSS' response and action plan to address Simpson & Simpson's recommendations. It should be noted that, effective July 1, 2009, the DV program transferred to the Department of Public Social Services.

Because of the number of service providers, copies of individual reports are not enclosed but are available for your review. Please call if you have any questions, or your staff may call Terri Kasman at (213) 253-0103 if you wish to review any reports.

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Public Information Office
Audit Committee

Community and Senior Services
Fiscal Monitoring of Domestic Violence Service Providers
Fiscal Year 2007-08

	Service Provider	Contract Amount	Number of Recommendations	Number of Recommendations Implemented	Dollar Findings - See Code Summary at bottom of Page 2					
					A	B	C	D	E	Total
1	1736 Family Crisis Center	\$936,300	8	2	(1)	\$28,377 (1)		\$7,750		\$36,127 (1)
2	Akila Concepts, Inc./Charlotte House	\$108,000	(2)	(2)						(2)
3	Antelope Valley Domestic Violence Council	\$420,000	1	1						
4	Asian Pacific American Legal Center (APALC)	\$133,300	2	1	(1)					(1)
5	Bienvenidos Children's Center, Inc.	\$168,000	2	0	(1)	(1)				(1)
6	Cambodian Association of America	\$80,000	0	0						
7	Center for Pacific Asian Family (CPAF)	\$140,000	0	0						
8	Chicana Service Action Center, Inc.	\$837,000	1	0	(1)					(1)
9	Children's Institute International	\$145,000	0	0						
10	Community Counseling Service (Amanecer)	\$293,300	1	0				\$27,107		\$27,107
11	Community Legal Services	\$506,000	2	0				\$850		\$850
12	Domestic Abuse Center	\$88,000	5	2		\$413	\$4,301			\$4,714
13	East Los Angeles Women's Center	\$155,000	4	2	(1)	\$913 (1)	\$1,282			\$2,195 (1)
14	Foothill Family Services	\$306,000	3	1		(1)		\$8,817		\$8,817 (1)
15	Harriet Buhai Center for Family Law	\$220,000	1	0						
16	Helpline Youth Counseling, Inc.	\$140,000	0	0						
17	House of Ruth, Inc.	\$279,000	0	0						
18	Human Services Association	\$335,300	0	0						
19	Institute for Multicultural Educational Services	\$415,250	0	0						
20	Interval House	\$124,500	0	0						
21	Jenesse Center, Inc.	\$493,300	7	3	(1)	\$2,418	\$15,090	\$2,804	\$73	\$20,385 (1)
22	Jewish Family Services of Los Angeles	\$140,000	1	1						
23	Legal Aid Foundation of Los Angeles (LAFLA)	\$617,000	2	1	(1)					(1)
24	Los Angeles Center for Law and Justice	\$368,350	4	1	(1)	\$2,404	\$26,312			\$28,716 (1)
25	National Council on Alcohol and Drug Dependency - Long Beach (NCADD)	\$280,000	4	4	(1)					(1)
26	Neighborhood Legal Services of Los Angeles County - NLS	\$460,000	1	0	\$5,764					\$5,764
27	Ocean Park Community Center (OPCC) - Sojourn	\$80,000	2	1	(1)					(1)
28	Peace & Joy Care Center	\$429,000	4	0	(1)	\$30,755				\$30,755 (1), (4)

Community and Senior Services
Fiscal Monitoring of Domestic Violence Service Providers
Fiscal Year 2007-08

	Service Provider	Contract Amount	Number of Recommendations	Number of Recommendations Implemented	Dollar Findings - See Code Summary at bottom of Page 2					
					A	B	C	D	E	Total
29	Project Peacemakers, Inc.	\$286,000	6	0	\$380 (1)			\$1,737	\$6,885	\$9,002 (1)
30	Prototypes	\$656,700	4	2	(1)	\$68,450 (1)			\$2,762	\$71,212 (1)
31	Rainbow Services, Ltd.	\$180,000	1	1						
32	San Fernando Valley Community Mental Health Center, Inc.	\$180,000	1	1						
33	San Pedro Community Legal Services	\$143,000	10	(3)		\$4,838 (1)	\$803	\$956	(1)	\$6,597 (1)
34	Santa Anita Family Service	\$253,800	3	1	(1)			\$118	\$6,317	\$6,435 (1)
35	Southern California Alcohol & Drug Program/Angel Step Inn	\$163,300	1	1		\$1,403				\$1,403
36	Su Casa Family Crisis and Support Center	\$96,600	3	1						
37	Women's & Children's Crisis Center	\$230,000	4	2	(1)	\$2,932				\$2,932 (1)
38	Women's Shelter of Long Beach	\$431,000	4	0	\$586 (1)	(1)			\$7,095	\$7,681 (1)
39	YWCA of Glendale Domestic Violence Project	\$338,000	3	0	(1)					(1)
40	YWCA of San Gabriel Valley/Women In Need Growing Strong (WINGS)	\$381,200	2	1	(1)	(1)				(1)
Total		\$12,037,200	97	30	\$6,730	\$142,903	\$47,788	\$50,139	\$23,132	\$270,692

Code Summary

- A** No documentation to support the cost allocation method or expenses were improperly allocated to the program
- B** Expenditures charged to program or units billed are not supported with documentation
- C** Program expenditures or revenues are not recorded or are inappropriately recorded on service provider's accounting records
- D** Unallowable costs charged to the program
- E** Excess earnings that need to be returned to CSS or CSS approval required to use excess earnings for DV program

Footnotes:

- (1) Monitor was not able to determine the dollar value of one or more findings in this category
- (2) Service Provider closed, Phase I and Phase II monitoring not conducted
- (3) Service Provider closed, Phase II was not conducted
- (4) Monitor indicated that concerns regarding the Service Provider's solvency noted during the FY 2006-07 monitoring had not been resolved



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

Ms. Wendy L. Watanabe
Acting Auditor-Controller
Department of Auditor-Controller
500 W. Temple St. Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe:

In planning and performing the **2007-2008 Department of Community and Senior Services Domestic Violence (DV) Programs Fiscal Monitoring**, we noted certain matters involving the Department of Community and Senior Services' (CSS) internal control structure relating to their contracted agencies' accounting and contract administration that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report DV grant expenditures reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's grant expenditures that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the grant expenditure or a type of compliance requirement of the DV program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, during our monitoring review, we became aware of a matter that is an opportunity for strengthening the internal controls and operating efficiency as described in the accompanying Exhibit I.





The scope of our engagement was limited to monitoring DV service providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in cursive script, appearing to read 'Simpson : Simpson'.

Los Angeles, California
October 16, 2008

SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS**Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers***Condition*

During our monitoring visits to service providers, we noted twelve (12) service providers have the following repeated findings from prior years:

- 12 service providers are inappropriately charging indirect or shared costs to the DV programs.
- Required documentation for the charged costs is not properly maintained by 5 of the 12 service providers.

Recommendation

Since the service providers had not implemented the current year recommended corrective actions, the findings were not closed as of our issuance of the FY 07-08 follow-up reports. We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that the service providers have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.



CYNTHIA D. BANKS
Director

COMMUNITY AND SENIOR SERVICES OF LOS ANGELES COUNTY

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"To Enrich Lives Through Effective And Caring Service"

Attachment 3
BOARD OF SUPERVISORS

GLORIA MOLINA
MARK RIDLEY-THOMAS
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

April 29, 2009

To: Wendy L. Watanabe
Auditor Controller

From: Cynthia D. Banks
Director

Subject: **FY 2007-08 CSS' DOMESTIC VIOLENCE SERVICES PROGRAMS
MANAGEMENT LETTER RESPONSE**

The following is Community and Senior Services' (CSS) response to Simpson & Simpson, Certified Public Accountants letter dated October 16, 2008 regarding Work Order No. 7-40B, 2007-08 CSS Domestic Violence Services Fiscal Monitoring, audit review and finding for fiscal year 2007-08 Domestic Violence Services Programs contract Service Providers.

Observation #1 – Inappropriate Cost Allocations Charged by the Service Providers

During our monitoring visits to service providers, we noted twelve (12) service providers have the following repeated findings from prior years:

- 12 service providers are inappropriately charging indirect or shared costs to the DV programs.
- Required documentation for the charged costs is not properly maintained by 5 of the 12 service providers.

Recommendation

We recommend that CSS continuously work with the service providers and provide technical assistance, if necessary, to:

- Ascertain that the service providers have an adequate understanding of the cost principles established by the Office of Management and Budget (OMB) that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the OMB, in their accounting of grant expenditures.

CSS Response

We agree with this recommendation. CSS will continue to provide technical assistance to ensure that the service providers have an adequate understanding of the cost principles established by the office of OMB that pertain to the administration and accounting of federal awards.

CSS will work with the service providers to resolve all of the Simpson & Simpson findings for Fiscal Years 2006-07 and 2007-08 by June 30, 2009.

Should you have any questions, please contact Jackie Lynn Sakane, Program Manager, Contract Compliance Division at (213) 739-7321.

CDB:OS:
MQ:jls

Attachment

c: Simpson & Simpson, CPA